GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3
ANSWERED ON:10.08.2007
EXCESSIVE INTEREST ON LOANS AND ADVANCES
Lagadapati Shri Rajagopal

Will the Minister of FINANCE be pleased to state:

:

(a) whether Reserve Bank of India and Banking Ombudsman have received umpteen complaints of excessive interest and other charges being levied by bank:: on certain loans and advances;

(b) if so, the details thereof;

(c) whether RBI has issued a notification recently in this connection directing all commercial banks for fixing appropriate ceiling on the interest charged on loans; and

(d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Reserve Bank of India (RBI) has reported that RBI and Banking Ombudsmen liave received complaints of excessive interest and other charges levied by banks on i oans and advances. The complaints were dealt with by talcing up with the banks concerned.

(c) & (d) : RIII, vide its circular dated May 7, 2007 has advised banks to have an objective aad transparent policy approved by their Boards for fixing interest rates on loans and advances. It was advised that the Boards of banks lay out appropriate internal principles and procedures so that usurious interest rates including processing and other charges are not levied by them on loans and advances.